

CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2005

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2
BASIC FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS	6
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	7
STATEMENT OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	17
AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE	19

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board Members
Central Iron County Water Conservancy District
Cedar City, Utah 84721

We have audited the accompanying financial statements of the business-type activities of Central Iron County Water Conservancy District as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Central Iron County Water Conservancy District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the business-type activities of Central Iron County Water Conservancy District as of December 31, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2006, on our consideration of Central Iron County Water Conservancy District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis information on pages 2 through 5 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 25, 2006
Richfield, Utah

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Central Iron County Water Conservancy District (the District), we offer readers of the financial statements this narrative discussion, overview, and analysis of the District's financial activities for the year ending December 31, 2005. We encourage readers to consider the information presented here as an overview of the operations of the District. This discussion and analysis is not intended to cover every aspect of the daily activities of the District.

Financial Highlights

- The assets of the District exceeded its liabilities as of the close of the most recent year by \$5,785,822 (*net assets*). Of this amount, \$303,351 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens, creditors, and capital expansion.
- The District's total net assets increased during the year by \$5,557,674.
- The District has on deposit \$154,753 to meet future capital projects.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of four components; the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; Statement of Cash Flows; and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves to give the reader an overall view of the District as a whole. The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

Statement of Net Assets

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between assets and liabilities reported as *net assets*. *Net assets Invested in capital assets* are the fixed assets of the District reduced by accompanying debt and accumulated depreciation. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Condensed Statement of Net Assets and Comparison to FY 2003

	2005	2004
Current assets	\$ 937,050	\$ 228,148
Capital assets	<u>6,353,536</u>	<u>-</u>
Total assets	<u>7,290,586</u>	<u>228,148</u>
Long-term liabilities	1,456,437	-
Other liabilities	<u>48,327</u>	<u>-</u>
Total liabilities	<u>1,504,764</u>	<u>-</u>
Net assets:		
Invested in capital assets, net of related debt	4,897,099	-
Restricted	585,372	-
Unrestricted	<u>303,351</u>	<u>228,148</u>
Total net assets	<u>\$ 5,785,822</u>	<u>\$ 228,148</u>

As noted earlier, net assets may serve over time as a useful indicator of an institution's financial position. In the case of the District, assets exceeded liabilities by \$5,785,822 at the close of the most recent fiscal year. This represents an Increase over the preceding year of \$5,557,674. The unrestricted net assets of \$303,351 may be used to meet the District's ongoing obligations to customers of the District.

Statement of Revenues, Expenses and Changes in Net Assets

This statement of revenues, expenses and changes in net assets presents information showing how the net assets of the Central Iron County Water Conservancy District changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The breakdown of "Operating" and Non-operating" categories are defined by accounting standards

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	<u>2005</u>	<u>2004</u>
Operating Revenues	\$ 2,136	\$
Operating Expenses	<u>288,392</u>	<u>77,710</u>
Operating Income	(286,256)	77,710
Non-operating Revenue	<u>5,843,930</u>	<u>149,487</u>
Change in Net Assets	5,557,674	71,777
Net Assets-Beginning of Year	\$ <u>228,148</u>	\$ <u>156,371</u>
Net Assets - End of Year	\$ <u>5,785,822</u>	\$ <u>228,148</u>

Statement of Cash Flows

The *Statement of Cash Flows* provides an additional perspective of the District's financial results for the fiscal year. It provides a source and use of cash for broad categories of activities.

Condensed Statement of Cash Flows

	<u>2005</u>	<u>2004</u>
Cash provided (used) by:		
Operating activities	\$ (235,341)	\$ (77,710)
Non-capital financing activities	292,762	145,768
Capital financing activities	507,134	
Capital investing activities	<u>8,223</u>	<u>3,719</u>
Net increase (decrease) in cash	572,778	71,777
Cash - beginning of year	\$ <u>228,148</u>	\$ <u>156,371</u>
Cash - end of year	\$ <u>800,926</u>	\$ <u>228,148</u>

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets for its business type activities as of December 31, 2005 was \$ 6,328,536 (net of accumulated depreciation). The investment in capital assets includes land & water rights, utility system, and office equipment.

The total increase in the District's investment in capital assets for the current year was \$6,328,536. Major capital events during the current year are shown below by category in comparison to the prior year.

	2005	2004
Land & Water Rights	\$ 3,963,490	\$
Water Utility System	2,356,205	
Office Equipment	8,841	-
Total assets	<u>\$ 6,328,536</u>	<u>\$ -</u>

Debt Administration

At the end of the current year, the District had total bonded debt outstanding of \$1,456,437. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

	2005	2004
Revenue bonds	\$ 1,456,437	\$ -
Total assets	<u>\$ 1,456,437</u>	<u>\$ -</u>

Additional information on the District's long-term debt can be found in the notes to the financial statements.

Notes to the financial statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found at the end of this report.

This financial report is designed to provide a general overview of the District's finances for all those with an interest in government finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Central Iron County Water Conservancy District, 88 East Fiddlers Canyon Road, Suite A, P. O. Box 37, Cedar City, Utah 84721.

(This page contains no information and
is used to assist in formatting, for easier reading)

BASIC FINANCIAL STATEMENTS

Central Iron County Water Conservancy District
Statement of Net Assets
Proprietary Fund
December 31, 2005

	December 31, 2005	(Memorandum) (Only) December 31, 2004
Assets		
Current assets:		
Cash & cash equivalents	\$ 800,926	\$ 228,148
Accounts receivable	2,136	
Property tax receivable	133,988	
Total current assets	<u>937,050</u>	<u>228,148</u>
Long-term assets:		
Construction in progress	25,000	
Capital assets, net of accumulated depreciation	<u>6,328,536</u>	
Total long-term assets	<u>6,353,536</u>	
Total assets	<u><u>\$ 7,290,586</u></u>	<u><u>\$ 228,148</u></u>
Liabilities and Net Assets		
Liabilities :		
Current liabilities:		
Accounts payable	\$ 48,327	\$ -
Bonds payable due within one year	227,499	
Total current liabilities	<u>275,826</u>	
Non-current liabilities		
Bonds payable after one year	<u>1,228,938</u>	
Total non-current liabilities	<u>1,228,938</u>	
Total liabilities	<u>1,504,764</u>	
Net assets:		
Invested in capital assets, net of related debt	4,897,099	
Restricted for:		
Debt service	585,372	
Unrestricted	<u>303,351</u>	<u>228,148</u>
Total net assets	<u><u>\$ 5,785,822</u></u>	<u><u>\$ 228,148</u></u>

The notes to the financial statements are an integral part of this statement.

Central Iron County Water Conservancy District
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
Year Ended December 31, 2005

	December 31, 2005	(Memorandum) (Only) December 31, 2004
Operating revenues:		
Water sales revenue	\$ 2,136	\$ -
Total operating revenues	<u>2,136</u>	<u>-</u>
Operating expenses:		
Administrative services	14,400	14,400
Depreciation expense	4,724	
Dues & memberships	60	330
Flood control expense	8,163	
Insurance expense	8,398	
Lease expense	7,059	
Maintenance expense	11,068	
Office expense	517	219
Other expense		327
Payroll taxes	50	
Professional expenses	214,704	58,585
Public notices	3,542	
Salaries & wages	2,620	
Seminars & training	720	2,065
Travel & mileage expense	7,079	1,784
Utilities expense	5,288	
Total operating expenses	<u>288,392</u>	<u>77,710</u>
Operating income (loss)	<u>(286,256)</u>	<u>(77,710)</u>
Nonoperating income (expense):		
Property tax revenue, less rebates	260,488	134,569
Fee-in-lieu of taxes	20,005	11,199
Federal grants	118,380	
State grants	27,877	
Contributions from developers	5,350,638	
Water purchase reimbursements	76,000	
Other revenue	695	
Interest earnings	8,223	3,719
Interest & fiscal charges	(18,376)	
Total nonoperating income	<u>5,843,930</u>	<u>149,487</u>
Net income	<u>5,557,674</u>	<u>71,777</u>
Change in net assets	<u>5,557,674</u>	<u>71,777</u>
Net assets - beginning	<u>228,148</u>	<u>156,371</u>
Net assets - ending	<u><u>\$ 5,785,822</u></u>	<u><u>\$ 228,148</u></u>

The notes to the financial statements are an integral part of this statement.

Central Iron County Water Conservancy District
Statement of Cash Flows
Proprietary Fund
Year Ended December 31, 2005

	December 31, 2005	(Memorandum) (Only) December 31, 2004
Cash flows from operating activities:		
Cash received from customers	\$ -	\$ -
Cash payments to employees	(2,620)	
Cash payments to suppliers for goods and services	(232,721)	(77,710)
Net cash provided (used) by operating activities	<u>(235,341)</u>	<u>(77,710)</u>
Cash flows from noncapital financing activities:		
Property tax revenue	146,505	145,768
Grant revenue	146,257	
Net cash (used) by noncapital financing activities	<u>292,762</u>	<u>145,768</u>
Cash flows from capital and related financing activities:		
Other receipts (payments)	76,695	
Acquisition of capital assets	(1,007,622)	
Interest and fiscal charges paid on capital debt	(18,376)	
Proceeds from new bonds issued	1,456,437	
Net cash (used) by capital and related activities	<u>507,134</u>	<u>-</u>
Cash flows from investing activities		
Interest received	8,223	3,719
Net cash (used) by investing activities	<u>8,223</u>	<u>3,719</u>
Net increase in cash and cash equivalents	<u>572,778</u>	<u>71,777</u>
Cash and Cash Equivalents - Beginning	228,148	156,371
Cash and Cash Equivalents - Ending	<u>\$ 800,926</u>	<u>\$ 228,148</u>
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (286,256)	\$ (77,710)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	4,724	
Increase decrease in accounts receivable	(2,136)	
Increase decrease in accounts payable	48,327	
Total adjustments	<u>50,915</u>	
Net cash provided (used) by operating activities	<u>\$ (235,341)</u>	<u>\$ (77,710)</u>

The notes to the financial statements are an integral part of this statement.

**CENTRAL IRON COUNTY
WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Central Iron County Water Conservancy District, a Utah political subdivision, (the District) is organized under the Utah Water Conservancy Act of the State of Utah. The District operates under a board of directors appointed by Iron County and provides conservation and development of water resources to the residents of the District. The District is not a component unit of any other governmental entity, and it has no component units.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to government units. The District develops, purchases, treats, and sells water to retail and wholesale customers and operates in no other industry. The following is a summary of the more significant of such policies.

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the exercise of special financial relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, no potential component units have been included in defining the District's reporting entity.

B. Financial Statement Presentation

The District has adopted the provisions of GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Disclosures*. These statements require governmental entities with more than one governmental activity to present additional accrual-based statements to better communicate the financial status of the entity. The significant changes to the District's financial statements relating to these standards are the Management's Discussion and Analysis and the titles and presentation of the financial statements to conform to the net asset presentation.

Certain balances have been restated, including the District's net assets, to conform to GASB Statement No. 34 presentation.

CENTRAL IRON COUNTY
WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

The District reports its water development, production, storage, and distribution operations as a proprietary fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements of the District are based on all applicable Government Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB Pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

C. Cash Equivalents

The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Utah Public Treasurers' Investment Fund are also considered cash equivalents.

D. Capital Assets

Capital assets include property, and plant equipment. Capital assets are defined by the District as assets with an initial unit cost of \$2,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following useful lives.

<u>Assets</u>	<u>Years</u>
Buildings	40
Water System	40
Equipment	5-10

**CENTRAL IRON COUNTY
WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005**

E. Operating Revenues and Expenses

The statement of revenues, expenses, and changes in net assets distinguishes between operating and non-operating revenues. For this purpose, operating revenues, such as user fees, result from exchange transactions associated with the principal activities of the District. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the Districts principal activities (such as investment income) and from all nonexchange transactions (such as grants).

F. Net Assets

The District's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the District's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

Restricted - expendable: Restricted expendable net assets include resources which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted: Unrestricted net assets represent resources derived from user fees and intergovernmental appropriations. These resources are used for transactions relating to the development of water resource activities of the District, and may be used at the discretion of the governing board to meet current expenses for any legal purpose.

G. Federal Financial Assistance Programs

The District received \$118,380 of federal grant revenues during the year.

H. Property Tax

The District assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The District should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30 of each year. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 15 of the following year, delinquent taxes and penalty bear interest of 6% above the federal discount rate from January 1 until paid.

**CENTRAL IRON COUNTY
WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005**

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The District maintains a cash and investment pool, which includes the cash account and several investments.

Deposits and investments for local governments are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council").

The District's deposit and investment policy is to follow the Utah Money Management Act and rules of the Utah Management Council. However, the District does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the District is exposed.

Utah State law requires that District funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the District and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of December 31, 2005, the District had the following deposits and investments:

**CENTRAL IRON COUNTY
WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005**

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

<u>Deposit and investment type</u>	<u>Fair Value</u>
Cash on deposit	\$ 646,173
State Treasurer's investment pool	<u>153,753</u>
	<u>\$ 800,926</u>
 <u>Reported on the financial statements as follows</u>	
Cash and cash equivalents	\$ 800,926
	<u>\$ 800,926</u>

The following paragraphs discuss the District's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2005, \$546,173 of the District's bank balances of \$646,173 were uninsured and uncollateralized.

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk of investments. The District's investment in the Utah Public Treasurer's Investment Fund has no custodial risk.

CENTRAL IRON COUNTY
WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

Following are the District's investments at December 31, 2005.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF	\$154,753	less than 1 year	not rated

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by solely investing in the PTIF and by adhering to the Money Management Act. The Act requires that the investing remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the County's investments are noted above.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy to limit this risk is to adhere to the rules of the Money Management Council. The Council's rule 17 limits investments in a single issuer of commercial paper

**CENTRAL IRON COUNTY
WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005**

and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the District's portfolio at the time of purchase.

As of year end, the District had no investments other than an investment in the Utah Public Treasurer's Investment Fund.

NOTE 3. RISK MANAGEMENT:

The District is subject to various types of risk such as tort actions, theft, damage, or destruction of assets by intent or acts of Nature, and job related illness or injury. The District has procured insurance which, in District's estimation, is adequate to reduce the risk of loss to a manageable level.

NOTE 4. CHANGES IN LONG-TERM DEBT:

The following is a summary of bonds payable of the District for the fiscal year ended December 31, 2005:

Revenue Bonds-

	Balance 12/31/2004	Issued	Matured	Balance 12/31/2005
Proprietary Fund Debt:				
Parity Water Revenue Bonds Series 2005 A	-	481,620		481,620
Parity Water Revenue Bonds Series 2005 B	-	974,817		974,817
Total Proprietary Fund Debt	-	1,456,437	-	1,456,437

The District's total bonded debt service at December 31, 2005 was as follows;

Year Ending December 31	Principal	Interest	Total
2006	227,499	109,895	337,394
2007	234,966	101,820	336,786
2008	243,680	93,450	337,130
2009	251,650	84,749	336,399
2010	189,010	21,526	210,536
2011-2012	309,632	21,053	330,685
Totals	1,456,437	432,493	1,888,930

**CENTRAL IRON COUNTY
WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005**

NOTE 4. CHANGES IN LONG-TERM DEBT (Continued):

Revenue Bonds at December 31, 2005 consist of the following;

\$ 3,345,000 Parity Water Revenue Bonds
Series 2005 A, issued 11/28/05.

Issued by Utah Drinking Water Board. Due in
annual installments of \$172,051 to \$171,048
through year 2027. Interest rate of 2.46% APR.

481,620

\$ 974,317 Parity Water Revenue Bonds
Series 2005 B issued 11/28/05.

Issued by State Bank of Southern Utah. Due in
annual installments of \$158,223 to \$121,499
through year 2012. Interest rate of 4.50% APR.
This amount includes unamortized bond issue
costs of \$500.

974,817

\$ 2,250,000 Parity Water Revenue Bond

Anticipation Note, Series 2005 issued 11/28/05.
Issued by State Bank of Southern Utah. The bonds
will be paid off by the Issuance of \$2,500,000
Revenue bonds issued by Rural Development. Due by
December 1, 2006. Interest rate of 4.5% APR.

- 0 -

Total Revenue Bonds payable at December 31, 2005

\$ 1,456,437

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Board Members
Central Iron County Water Conservancy District
Cedar City, Utah 84721

We have audited the financial statements of the business-type activities of Central Iron County Water Conservancy District as and for the year ended December 31, 2005, which collectively comprise Central Iron County Water Conservancy District's basic financial statements and have issued our report thereon dated August 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

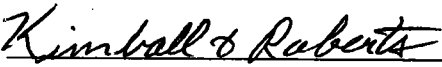
In planning and performing our audit, we considered Central Iron County Water Conservancy District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Iron County Water Conservancy District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Honorable Board Members
Central Iron County Water Conservancy District
Page -2-

This report is intended solely for the information and use of the audit committee, management, and board members and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 25, 2006
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

The Honorable Board Members
Central Iron County Water Conservancy District
Cedar City, Utah 84721

We have audited the accompanying financial statements of the business-type activities of Central Iron County Water Conservancy District for the year ended December 31, 2005, and have issued our report thereon dated August 25, 2006. The District received the following nonmajor grant which is not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of Central Iron County Water Conservancy District's financial statements.)

Water Grant (Department of Water Resources)

Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt
Cash Management
Purchasing Requirements
Other Compliance Requirements

The District did not receive any major State grants during the year ended December 31, 2005.

The management of Central Iron County Water Conservancy District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Central Iron County Water Conservancy District, complied, in all material respects, with the general compliance requirements identified for the year ended December 31, 2005.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 25, 2006
Richfield, Utah